

## IN THIS ISSUE

Sales Update	2
Exchange Letters	2
Impact of the Federal Offering	3
Agent Seminars 2003	3
Comprehensive Brochure	4
Medi-Cal Eligibility Information	4
New Print Advertisements	5
Purchaser Survey	6
Nursing Facility Daily Benefit	6
Medi-Cal Q&A	7

# CALIFORNIA PARTNERSHIP NEWS

Winter 2003

A PROGRAM OF THE CALIFORNIA DEPARTMENT OF HEALTH SERVICES



### Message from the Director

**Sandra Pierce-Miller**

I talk to consumers all the time about the importance of planning ahead so they don't get caught by surprise when a family member needs long-term care. Yet, I came face-to-face with the issue in early October when my husband, Michael, suffered a spiral break at the top of his femur into his hip. I found that I was no more prepared for the role of caregiver than anyone else and, if truth be told, probably less so.

I am very fortunate in one regard. The two-and-a-half months I needed to take off to care for Michael were covered by family sick leave, so I did not lose income as many others would. However, because of all of the SB 898 policy filings, I had to use up much of my sick leave while continuing to work. More importantly, I was unable to devote all of my time taking care of Michael. Instead, I had to split my time and responsibilities between caregiving and work. Complicating this were the activities associated with the Thanksgiving and Christmas holidays. I was not a success!

When speaking to a group of women, I always point out that when facing a situation that requires caregiving, we rush into the situation believing we will be successful and then suddenly find ourselves buried, totally in over our heads.

It only took about a month for me to feel like an absolute failure at everything I tried to do. I was getting impatient with myself (and everyone else), which added significantly to Michael's stress. It was really

*Continued on page 2*

## New ITP Release to Develop, Market Policies to Employers

With a goal of increasing the sale of long-term care insurance to middle-income consumers, the State of California has released an "Invitation to Participate" (ITP). The ITP was developed to find a single contract with a single insurance company (or collaborating entities) that will develop and market Partnership-certified individual and/or group policies to active employees, retirees, their spouses, parents and parents-in-law.

The driving force behind this ITP is the State's interest in increasing private long-term care (LTC) insurance sales, thereby reducing the demand that will be placed

on Medi-Cal at the time babyboomers begin to need LTC. The State is also interested in reducing the loss of job productivity due to employees leaving the work force, part- or full-time, to take care of their elderly family members.

Studies have shown that employees who care for elderly or sick relatives with long-term care insurance are twice as likely to stay in the work force as those caring for non-insured relatives. Employers are also interested in offering LTC insurance as a way to compete for qualified employees. Recognizing this reality, employers requested that the State identify and

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### President Supports Removing Legislative Barriers to Nationalizing Partnership Programs



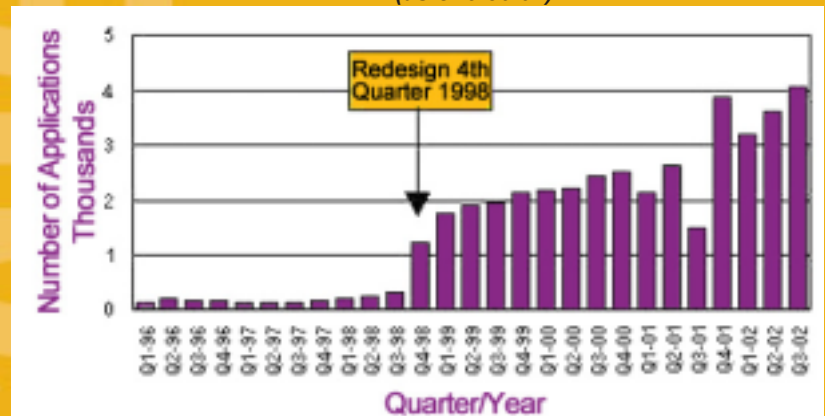
The President's budget that was released last month showed intent to overturn the Omnibus Reconciliation Budget Act (OBRA) of 1993, which limits Medicaid's ability to disregard assets protected through the purchase of a Partnership policy. OBRA 93 disallows disregard of the protected assets for the purposes of estate recovery.

Unless OBRA is overturned, only the current Partnership programs (California, Connecticut, Indiana, and New York) are allowed to disregard assets both for the purposes of Medicaid eligibility and estate recovery. Removal of the legislative barrier would be a major step toward nationalizing the Partnerships and creating an opportunity for Medicaid asset protection for a policy purchased in one state to be honored by Medicaid programs outside of the state where the policy was purchased.

- Median age is 65 years
- 59% were female
- 72% were married
- 98% bought Comprehensive Policies
- 95% are first-time buyers
- 6% bought one-year policies
- 15% bought two-year policies
- 18% bought three-year policies
- 15% bought four-year policies
- 7% bought five-year policies
- 39% bought lifetime policies

## \$ Sales Update

### California Partnership for Long-Term Care Applications Received by Quarter (as of 9/30/02)



Data Excludes PERS

Visit our Web site at [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc) for 200 sales statistics.

### Message (Continued from Page 1)

hard for him to watch me try to take care of all his personal and other needs, take on the tasks he normally handles and still keep up with office work. He knows how much I love my work and felt guilty about taking me away from it. So on top of his and my feelings of guilt, add all the loss of dignity issues, and it becomes a real mess for everyone involved!

Another big issue that is never talked about in any of the articles on caregiving is the potential damage that can be caused to the marriage when a spouse is the primary caregiver for the other spouse. Have any of you read books/articles related to healthy marriages/male-female relationships? You know, the *Men are From Mars, Women From Venus* stuff, etc.? If so, you know how important it is to avoid having the marital relationship slip into a parent/child role, and how potentially destructive that can be for both individuals, as well as the marriage.

I am not really ready to share much in this regard. It is still too new, but just think about it for a second. How impossible is it not to slip into a child/parent relationship when one spouse is providing personal care to the other? Just one more story that demands telling to help people understand the need to develop options for their long-term care.

Despite all the hardships we've faced dealing with this issue, the experience has been valuable for Michael and me. Knowing firsthand the pitfalls, we can be better prepared for the future. We also know and can share with others how important it is for spouses to have the difficult discussion on how each other's personal care needs can be addressed without harming the husband/wife relationship.

## New Legislation Prompts Need for Exchange Letter to Your Clients

Your long-term care insurance clients will soon be receiving exchange letters from their insurance carriers. Since their first call will probably be to you, their insurance professional, we wanted to give you an update and some of the information you'll need to address their questions.

These exchange letters are being sent out to inform policyholders of new policy provisions and benefits that were not available at the time they purchased their policies. All existing policyholders, who are not in benefit or meeting an elimination period, will receive this letter. The exchange letter offers the policyholder a chance to upgrade to new policies with enhanced benefits, coverages and/or eligibility, and the opportunity to minimize the cost of the policy exchange by recognizing prior coverage with the same insurer. Insurance carriers must offer policyholders new benefits within 12 months from when they become available.



What are the new policy benefits or benefit eligibilities that require the issuance of an exchange letter? SB 870 requires that all long-term care policies with nursing facility benefits include residential care facility (RCF) coverage of at least 70 percent of the nursing facility benefit. It also requires that services in a RCF be expanded to include all qualified long-term care services, prohibits exclusions for mental disorders, requires spousal discounts to continue upon dissolution of the marriage and limits the trigger for facility benefits to no more than two Activities of Daily Living (ADLs). SB 898 stabilizes rates by providing that all rate increases and all new long-term care insurance policy forms be approved by the Insurance Commissioner.

All agents should contact their respective companies to find out how and when the exchange letters will be sent. You should also review what these companies are offering in order to properly assist policyholders in making wise choices.

# Federal Offering Has Positive Impact on Partnership Sales

"The federal offering has had a very positive impact on Partnership LTC sales, particularly in areas such as San Diego and Fresno, where there is a large military and/or federal employee base," said Sandra Pierce-Miller, Project Director for the California Partnership for Long-Term Care, at January's Society of Actuaries Intercompany Long-Term Care Insurance Conference in Las Vegas.

Comparing the significant differences between the federal offering and Partnership policies, she points out that a major distinguishing feature of the minimum federal policy is that it is a three-year duration with no asset protection. The minimum Partnership policy is a one-year policy with the added feature of asset protection.

"So many federal or military retirees can't afford the premiums for a three-year policy," said Pierce-Miller, "and those with a three-year policy would benefit from having the asset protection should they use up their policy and need to rely on Medicaid."

In addition, Partnership policies provide automatic built-in inflation

protection, a minimum daily benefit of \$110 (compared to the federal offering of \$50), up to 100 percent of home care (compared to 75 percent) and monthly rather than daily or weekly home care

Most often the reason a federal family member chose a private policy was because of the 100 percent home care and residential care benefit.

benefits. Perhaps as important, all Partnership policies provide comprehensive care management by an independent licensed health care professional, while the insurers themselves handle care management under the federal offering.

"Care managers can significantly reduce the cost of out-of-pocket expenses and delay exhausting policy benefits. This could ensure that a one-year policy, for example, lasts as long as possible, maybe even as long as two years."

On the other hand, an attractive provision of the federal package that Pierce-Miller would also like to see as part of Partnership policies allows for a family member (excluding the spouse and other family members who lived with the policyholder prior to needing policy benefits) to receive payment for home care services up to 365 days.

Pierce-Miller also shared experiences from agents who have reported how the federal offering is impacting their sales. An agent in San Diego told her that 10 out of every 12 face-to-face sales meetings are with federal employees and their families who want to compare the federal offering with policies available in the private market.

"The agent is almost always successful selling against the federal offering," Pierce-Miller says, attributing this to client concerns about the stability of premiums under the federal offering. This is due largely to the high percentage of disabled

*Continued on page 5*

## Agent Seminar 2003



The Partnership's annual agent seminars are fast approaching. You should have already received a Save-the-Date card, and in the near future, you will be receiving a registration brochure. The Northern California seminar will be held on Wednesday, May 7, at the Holiday Inn in Concord. The Holiday Inn in Costa Mesa will be hosting this year's seminar in Southern California on Wednesday, May 14. Special room rates are available at both sites for those interested in staying the night before the seminar. For CE credit questions, please contact the California Partnership for Long-Term Care at (916) 323-4253. For registration questions, contact Brown-Miller Communications, Inc., at (866) 869-8999.



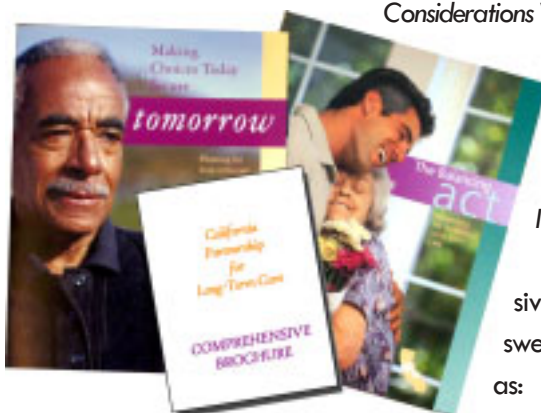
## The Comprehensive Brochure: A Tool Every Agent Needs

While the two new consumer brochures released last year have been met with wide agent interest, many are still not aware that the Partnership also developed a comprehensive brochure to answer the specific and often complicated questions posed by prospective consumers.

Available exclusively on the Partnership's website, the 26-page pamphlet was designed to ensure that buyers researching long-term care issues had a readily available source of information to help in the decision-making process. The comprehensive brochure is a complement to the two consumer brochures, taking consumers beyond the planning and consideration stage to making a decision on policy type, length and benefits.

Development of the comprehensive brochure came from focus group findings that showed consumers preferred a simple, colorful and attractive brochure as an introduction but would also appreciate a more definitive resource when they moved closer to the decision phase.

The comprehensive brochure asks and answers frequently asked questions and compiles these questions into four easy sections: *The Risks of Needing Long-Term Care,*



*Partnership-Certified Long-Term Care Insurance Policies, Consumer Protections Required in All Long-Term Care Insurance and Other Considerations When Purchasing a Policy, and a Glossary of Terms and Other Sources of Information.*

The comprehensive brochure answers questions such as:

- What is long-term care?
- How much does long-term care cost?
- What types of policies are available under the Partnership?
- What is inflation protection and why is it such an important feature in a

Pursuant to a new requirement, effective January 1, 2003, the county welfare departments are now required to provide a new notice to all non-institutionalized aged, blind and disabled Medi-Cal applicants at the time they apply for Medi-Cal. This form explains that an individual can transfer their home for less than fair market value without affecting their Medi-Cal eligibility. This form is provided to the Medi-Cal applicant, the applicant's spouse, their legal representative or agent. A sample of this form is shown.

### NOTICE REGARDING TRANSFER OF A HOME FOR BOTH A MARRIED AND UNMARRIED APPLICANT/BENEFICIARY

A transfer of property interest for less than fair market value in a Medi-Cal beneficiary's home will not cause ineligibility for Medi-Cal benefits if, at the time of the transfer, the home would have been considered an exempt resource.

This is only a brief description of the Medi-Cal eligibility rules. For more detailed information, you should call your county welfare department. You will probably want to consult with an attorney, your local legal services program for seniors or the local branch of the long-term care ombudsman program.

I have read the above notice and have received a copy.

Signature	Date

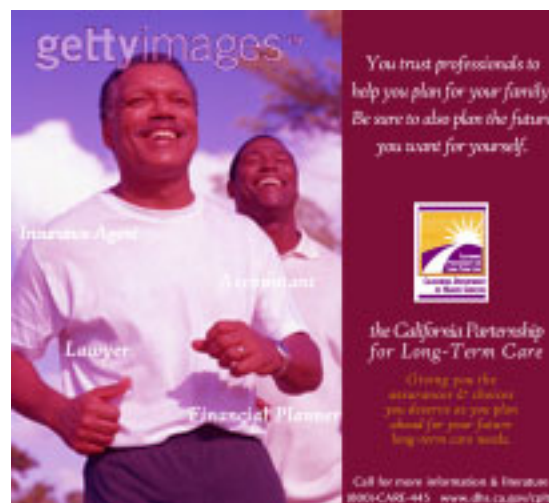
- long-term care insurance policy?*
- How does Medi-Cal Asset Protection work?
- What consumer protections apply to long-term care insurance sold in California?
- Should I replace my existing policy with a newer one?
- How do I choose a qualified long-term care insurance agent?
- How do I choose an insurance company?

**To download a PDF copy of the Comprehensive Brochure, go to the Partnership's website at [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc) and visit the Brochures and Other Information link on the Agent Tools and Resources side.**

# New Partnership Ads Inspire Planning

"The California Partnership for Long-Term Care: Giving you the assurances and choices you deserve as you plan for your future long-term care needs" is the tagline from two new print advertisements that the Partnership has developed for possible inclusion in magazine, newspaper, journal and other print media. Both advertisements will be available as ad slicks or Adobe Acrobat files to agents for distribution to local newspapers, journals and magazines.

One advertisement features a man running with his adult son with words around him reading: *Insurance Agent, Accountant, Lawyer, Financial Planner*. On the right-hand side is copy that reads: *You trust professionals to plan for your family. Be sure to also plan the future you want for yourself.* The California Partnership for Long-Term Care. Giving you the assurances and



choices you deserve as you plan for your future long-term care needs. Call for more information and literature (800) - CARE - 445, [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc). The advertisement can be run as either color or in black and white.

The second advertisement features three generations of women—a grandmother, her daughter and granddaughter.

Words float around their smiling faces that read: *Security, Graduation, Mortgage, Weddings, Vacation, Retirement, Tuition*. The copy on the right-hand side reads at the top: *You've planned for your family. Now make sure you've made plans for your future.* After which, the Partnership logo is displayed and closes with the same tagline as the previous ad.

For more information on how to receive a copy of the ad, contact the Partnership at (916) 323-4253.

## Federal Offering (continued from page 3)

federal employees and the risky nature of the federal employment base.

However Pierce-Miller cautions to be careful when using this argument to sell against the federal offering. "All applicants must go through underwriting. The premiums are generally higher than other products and neither of the participating insurers have had to raise premiums anywhere in the nation, regardless of having been in the business for many decades."

"Other agents," Pierce-Miller says, "report they are able to show these federal family

members a policy with a lower premium, particularly through the use of spouse and family discounts not available in the federal offering." Most often the reason a federal family member chose a private policy was because of the 100 percent home care and residential care benefit.

Another important reason federal family members choose private policies is to take advantage of the personal interaction of speaking with an agent. One very active Partnership agent reports that "the sale is always solidified by the fact that I was the first agent they spoke to, and at the end

of my meeting, they felt they finally understood what this was about and how it worked. People like the hand-holding of someone who cares."

During her presentation, Pierce-Miller reported that, although Partnership certified policies are designed for middle-income people with assets between \$40,000 and \$270,000 who want to protect these assets from Medicaid spend down, 45 percent of the recent Partnership policies sold were for lifetime coverage. Pierce-Miller explains that although wealthier clients may never need the asset protection, they desire high-quality policies, too.

## How much is enough?

### Why the Partnership Mandates a Minimum Amount for the Nursing Facility Benefit



Middle-income consumers are not protected with a maximum nursing facility daily benefit of \$50. If they need to use their policy benefits in the immediate future, their monthly out-of-pocket expenses will average \$3,000, doubling to \$6,000 in 14 years and up to \$13,000 in 30 years.

The Partnership requires that no Partnership policy be sold at an amount that is less than 70 percent of the average daily private pay rate (ADPPR) for all nursing facilities in California for that given year. In 2003, the ADPPR was projected to be \$150, making the minimum amount \$110.

The minimum amount was established to limit policyholders' out-of-pocket expenses. Policyholders who purchased \$110 a day for their nursing facility benefit should have determined if the nursing facility costs are less where they live or if they can afford to pay the difference between the average cost and their insurance coverage (\$1200) out of their own income or assets. It is also important to keep in mind the impact inflation has on out-of-pocket costs. Given the above numbers, in 14 years their monthly out-of-pocket costs for a nursing facility will double to \$2,400. In 30 years, their monthly out-of-pocket expenses will be over \$5,000.

## Subscribe NOW to receive your LTC Alerts via E-mail

The Partnership will discontinue the paper distribution of the Alerts. But don't worry, they will be available on the Partnership website, [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc), viewable using Adobe Acrobat. If you would like to continue to receive these Alerts, they can also be personally e-mailed to you. Just e-mail [cpltcas@dhs.ca.gov](mailto:cpltcas@dhs.ca.gov) with your name and license number today, and you will receive the Alerts directly--no paper, no hassle and no wait time.

## Partnership Makes Purchaser Survey Permanent Feature

The California Partnership for Long-Term Care sent out a Purchaser Survey last month to a random sample of Partnership policyholders. The survey is being conducted to give the Partnership the ability to better assess the program's success in providing quality and affordable products for modest- and middle-income Californians. Since some of your clients may have received the survey, they may contact you for assistance or further questions.

The Purchaser Survey asks questions ranging from income and assets to health status but does not require clients to submit any information that might be able to identify them personally. The 10-minute survey will be a permanent feature/function of

the Partnership.

The survey is six-pages in length with 30 questions. The questions are divided into five sections: a) information on who purchases the Partnership Policy (i.e. date of birth, race, marital status, etc.); b) information on the policy purchased; c) information on personal health; d) source of information on policy purchased; and e) information on income and assets.

The Partnership sent out 1,067 surveys and 300 have been completed and returned. Only the Partnership will review and analyze the information submitted. Recipients have 30 days to complete the survey. A follow-up survey will be sent out if no response is received.



**Q: Why are retirement funds sometimes referred to as exempt and other times referred to as unavailable?**

A: The term “exempt” is used when the funds are held in the name of someone who is willing to forgo eligibility for themselves, such as a parent, spouse, child or community spouse, whether that individual would otherwise be eligible or not. The term “unavailable” is used when the funds are held in the name of the applicant/beneficiary and the circumstances indicate that the funds are not to be included in the property reserve.

**Q: What circumstances render these funds exempt?**

A: When evidence clearly shows that the funds are held in the name of a family member who is either ineligible or does not choose to receive Medi-Cal.

**Q: What circumstances render these funds unavailable?**

A: There are a number of different situations that may render the balance of these funds unavailable, such as: a) If the applicant/beneficiary is receiving periodic payments from each fund, or systematic withdrawals from each fund or minimum mandatory distributions at age 70.5 or older from their total fund; Or b) The applicant/beneficiary has requested release of the funds either in the form of payments or a lump sum. The balance of the funds is considered unavailable from the first of the month that a request for release of funds is made until the funds are received. The balance of the funds in the account(s) will continue to be considered unavailable even when not received as long as the applicant/beneficiary continues to make a good faith, bonafide effort to receive payment(s) and continues to provide verification of those efforts. Payments received will be considered income if periodic or will be considered converted property if a cash lump sum is received; Or c) If an individual must terminate employment to access the funds; Or d) When the funds are jointly held with a third party and/or an employer and that party refuses to grant access to those funds.

*Please check future publications or the Partnership website for more information on this topic.*

endorse a high-quality insurance carrier with a product designed for them. The State responded by releasing this ITP.

The ITP is especially timely as Californians see rapidly increasing lost-worker productivity levels associated with employees caring for elder parents and relatives. In fact, one out of three workers are caring for an aging relative, and experts predict that eldercare may soon eclipse childcare as the nation’s dependent-care issue.

Several insurers have tried to reach the parents and parents-in-law of active employees directly but have reported dismal results. The success in educating extended family members relies solely on the cooperation and assistance of the adult children, who will need to approach their parents on a very sensitive subject—how will their parents’ long-term care needs be met. In the absence of insuring the elderly relatives, job productivity will continue to drop as the employees are called upon as caregivers.

The State believes that the Partnership offers some unique advantages, including its new

brochure that will help employees approach their parents about LTC issues and the program’s unique Medi-Cal asset protection.

Proposals submitted in response to the ITP must describe new and innovative strategies for increasing the percentage of insured elderly family members. Interested insurance companies should have

Studies have shown that employees who care for... relatives WITH long-term care insurance are twice as likely to stay in the work force...

the financial stability and customer service experience to design, offer, insure and administer a high-quality long-

term care insurance product to small and mid-size businesses. Companies and collaborating entities have until March 17, 2003, to respond to the ITP.

The Partnership is accepting proposals from long-term care insurance carriers, from third party administrators affiliated with long-term care insurance carriers, and from other entities involved in the sale, administration and distribution of long-term care insurance or similar products. All insurance policies developed under this contract must meet all applicable requirements of the California Insurance Code and the requirements for Partnership certification in the California Code of Regulations.





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Web site: [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc)

#### **PARTICIPATING INSURERS:**

Bankers Life and Casualty  
(888) 2828-BLC

CalPERS Long-Term Care Program  
(800) 205-2020

CNA Insurance  
(800) 262-0348

GE Financial Assurance  
(800) 354-6896

John Hancock Life Insurance Company  
(800) 377-7311

New York Life Insurance  
(800) 224-4582

Transamerica Occidental Life Insurance  
(800) 690-2758

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## **In Brief...**

### **ALERTS**

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### **AGENT SEMINARS**

The 2003 Partnership Agent Seminar in Northern California will be held on May 7th at the Holiday Inn, Concord. Costa Mesa will be hosting the Southern California agent seminar on May 14th at the Holiday Inn, Costa Mesa. For more information, visit the Partnership website at [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc). For registration information, please contact Brown•Miller Communications at (866) 869-8999.

### **LEGISLATION UPDATE**

#### **SB 121**

Introduced by Bob Margett in February 2003, this Bill would allow a tax credit of up to \$300 (\$600 for joint filers) for 30 percent of the amount paid or incurred during the taxable year for long-term care or long-term care insurance for the taxpayer or parent of the taxpayer.

### **ANY QUESTIONS?**

The Partnership welcomes questions from agents. If you have specific questions about CPLTC policies or are seeking information on topics related to long-term care and long-term care insurance, we're happy to help you. Please call the Partnership office at (916) 323-4253.